




**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE  
AUDITOR-CONTROLLER

September 25, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe   
Auditor-Controller

SUBJECT: **JWCH INSTITUTE, INC. – A DEPARTMENT OF PUBLIC HEALTH  
HIV/AIDS PREVENTION AND CARE SERVICES PROVIDER –  
CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of JWCH Institute, Inc. (JWCH or Agency), which included a sample of transactions from April 2011 through September 2012. The County Department of Public Health Division of HIV and STD Programs (DHSP) contracts with JWCH, a non-profit organization, to provide HIV/AIDS transitional and psychosocial case management, health education risk reduction outreach, and testing prevention services.

The purpose of our review was to determine whether JWCH provided services to eligible clients, and spent DHSP Program funds in accordance with their County contracts. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contracts and applicable guidelines.

At the time of our review, JWCH had six cost-reimbursement contracts with DHSP. DHSP paid JWCH approximately \$783,000 from April 2011 through September 2012. JWCH provides services in the First and Fourth Supervisorial Districts.

**Results of Review**

JWCH provided services to individuals that met DHSP eligibility requirements. However, JWCH did not always comply with their County contract requirements. Specifically, JWCH:

- Billed DHSP \$1,655 in professional services and parking expenditures that were not supported by the client visitation logs and invoices.

*Subsequent to our review, JWCH provided case notes for clients to support \$1,400 in professional services costs. JWCH indicated that they plan to provide documentation to support the remaining \$255 in questioned costs. The Agency's attached response indicates that they will ensure all program expenditures are adequately supported.*

- Did not obtain DHSP approval for their client fee schedule as required by their County contracts.

*The Agency's attached response indicates that they will submit their client fee schedule to DHSP for approval.*

- Had 11 outstanding reconciling items listed on their bank reconciliation, totaling \$4,816 that were more than one year old.

*The Agency's attached response indicates that they will ensure reconciling items are resolved in a timely manner and repay DHSP for any unpaid DHSP Program related items.*

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with JWCH and DHSP. The Agency's attached response indicates that they concurred with our findings and recommendations. DHSP will work with JWCH management to ensure that our recommendations are implemented.

We thank JWCH management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer  
Jonathan E. Fielding, M.D., M.P.H., Director, Department of Public Health  
Robert E. Morris, M.D., President, Board of Directors, JWCH Institute, Inc.  
Al Ballesteros, Chief Executive Officer, JWCH Institute, Inc.  
Public Information Office  
Audit Committee

**JWCH INSTITUTE, INC.  
DEPARTMENT OF PUBLIC HEALTH  
HIV/AIDS PREVENTION AND CARE SERVICES  
APRIL 2011 TO SEPTEMBER 2012**

**ELIGIBILITY**

**Objective**

Determine whether JWCH Institute, Inc. (JWCH or Agency) provided services to clients who met the Department of Public Health's (DPH) Division of HIV and STD Programs (DHSP) eligibility requirements. In addition, determine whether JWCH provided the services billed to DHSP and collected fees from eligible clients in accordance with their County contracts.

**Verification**

We reviewed the case files for 13 (4%) of the 323 clients who received services from April 2012 through September 2012 for documentation of their eligibility for DHSP services. In addition, we verified whether the Agency collected fees from clients in accordance with the Agency's approved client fee schedule.

**Results**

JWCH had adequate documentation to support the eligibility of the 13 clients reviewed. However, JWCH did not obtain approval from DHSP for their client fee schedule as required in the Additional Provisions of their County contracts.

**Recommendation**

- 1. JWCH Institute, Inc. management obtain Division of HIV and STD Programs' approval for their client fee schedule.**

**CASH/REVENUE**

**Objective**

Determine whether JWCH recorded revenue in the Agency's financial records properly, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management.

**Verification**

We interviewed JWCH management, and reviewed the Agency's financial records and September 2012 bank reconciliations for three bank accounts.

**Results**

JWCH recorded revenue properly and deposited cash receipts timely. However, JWCH's bank reconciliation contained 11 reconciling items totaling \$4,816 that were more than one year old. JWCH did not provide documentation to support outstanding reconciling items so we could not verify whether the outstanding items were related to the DHSP Programs. In addition, JWCH did not require the bank reconciliation preparer to sign off on the completed bank reconciliations.

**Recommendations**

**JWCH Institute, Inc. management:**

- 2. Ensure reconciling items are resolved in a timely manner and repay Division of HIV and STD Programs for any unpaid Division of HIV and STD Program related reconciling items.**
- 3. Require the preparer to sign off on the completed bank reconciliations.**

**COST ALLOCATION PLAN****Objective**

Determine whether JWCH prepared its Cost Allocation Plan (Plan) in compliance with their County contracts, and used the Plan to allocate shared costs appropriately.

**Verification**

We reviewed JWCH's Plan and a sample of shared costs the Agency incurred from July 2011 to September 2012.

**Results**

JWCH's Plan was prepared in compliance with their County contracts and the shared costs were allocated appropriately in accordance with their Plan.

**Recommendation**

**None.**

**EXPENDITURES****Objective**

Determine whether expenditures charged to the DHSP Programs were allowable under the County contracts, documented properly, and billed accurately.

**Verification**

We interviewed Agency personnel, and reviewed financial records for 20 expenditures transactions, totaling \$11,649, that the Agency charged to the DHSP Programs from July 2011 to September 2012.

**Results**

JWCH did not provide documentation such as client visitation logs and invoices to support that \$1,655 in professional services and parking expenditures were related to the DHSP Programs. Subsequent to our review, JWCH provided case notes for clients to support \$1,400 in professional services costs.

**Recommendations**

**JWCH Institute, Inc. management:**

- 4. Repay Division of HIV and STD Programs \$255, or provide adequate documentation to support the expenditures.**
- 5. Ensure all Program expenditures are adequately supported by proper documentation.**

**PAYROLL AND PERSONNEL****Objective**

Determine whether JWCH charged payroll costs to DHSP appropriately, and maintained personnel files as required.

**Verification**

We compared the payroll costs for eight employees, totaling \$12,701 for June 2012, to the Agency's payroll records and timecards. We also reviewed the personnel files.

**Results**

JWCH appropriately charged payroll expenditures to DHSP and maintained personnel files as required by their County contracts.

**Recommendation**

**None.**

## **COST REPORTS**

### **Objective**

Determine whether JWCH's Cost Reports reconciled to their accounting records.

### **Verification**

We compared the Agency's Cost Reports submitted to DHSP for the period ended December 2011 and March 2012 to their financial records.

### **Results**

JWCH's Cost Reports reconciled to their accounting records.

### **Recommendation**

None.



August 15, 2013

JWCH Institute, Inc.  
formerly known  
as the Attending Staff  
Association of the John  
Wesley County Hospital,  
was established in 1960.  
We are a private  
non-profit organization  
providing Community  
Health & Medical  
Services, Outreach,  
Education, and  
Social Services.

Iscah Wang  
Senior Accountant-Auditor  
Countywide Contract Monitoring Division  
Department of Auditor-Controller  
County of Los Angeles  
350 South Figueroa Street, 8<sup>th</sup> Floor  
Los Angeles, CA 90071

RE: JWCH INSTITUTE, INC. – A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS  
PREVENTION AND CARE SERVICES PROVIDER – CONTRACT COMPLIANCE REVIEW

Dear Mr. Wang,

Enclosed please find JWCH's Corrective Action Plan for the above referenced  
contract compliance review. Please let me know if you have any questions or  
would require additional information. I may be reached at 213-484-1186.

Sincerely,

Jeanne Lam  
CFO  
JWCH Institute, Inc.

C: File

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FAX (213) 413-3443

[www.JWCHInstitute.org](http://www.JWCHInstitute.org)

*Health & Medical Services*

NAME OF AGENCY: JWCH Institute, Inc.

DATE: August 15, 2013

**CORRECTIVE ACTION PLAN**

Recommendation #	Summary Statement of Recommendations	Contractor's Plan of Correction (Each corrective action should be cross-referenced to the appropriate Recommendation. Please state agreement/disagreement w/each Recommendation.)	Responsible Person	Completion Date
1.	JWCH management obtain DHSP approval for their client fee schedule.	JWCH management will submit our most current client fee schedule to DHSP for approval.	Jeanne Lam, Chief Financial Officer	8/16/2013
2.	Ensure reconciling items are resolved in a timely manner and repay DHSP for any unpaid DHSP Programs related reconciling items.	JWCH will ensure that reconciling items are resolved in a timely manner and repay DHSP for any unpaid DHSP Program related reconciling items.	Jeanne Lam, Chief Financial Officer	8/25/2013
3.	Require the preparer to sign off on the completed bank reconciliation.	JWCH will ensure the preparer sign off on all completed bank reconciliation.	Jeanne Lam, Chief Financial Officer	7/1/2013
4.	Repay DHSP \$1,655, or provide adequate documentation to support the expenditures.	JWCH would like to provide additional documentation to support the expenditures for the professional services and parking expenditures. Please see attachment A.	Jeanne Lam, Chief Financial Officer	8/16/2013
5.	Ensure all Program expenditures are adequately supported by proper documentation.	JWCH management will ensure all program expenditures are adequately supported by proper documentation.	Jeanne Lam, Chief Financial Officer	7/1/2013